

## PG&E's Comments

### Reactive Power and Financial Compensation

Submitted by	Company	Date Submitted
<p><i>Nivad Navid (415) 973-1321</i>  <i>Anja Gilbert (415) 973-1255</i></p>	<p><i>Pacific Gas &amp; Electric</i></p>	<p><i>October 30, 2015</i></p>

PG&E appreciates the opportunity to comment on CAISO's revised straw proposal on "Reactive Power and Financial Compensation," dated October 8, 2015. CAISO's Straw Proposal:

- Eliminates the capability payment for all resources.
- Proposes a new reactive power exceptional dispatch category for resources that only provide reactive power (no active power). These resources will be made whole based on the cost data included in the master file.
- Offers flexibility in controlling from the point of interconnection (POI) to the inverter terminal.
- Plans that the requirement become effective in the next interconnection cluster (Cluster 9, April 2016).

In summary, PG&E:

- Strongly supports CAISO's proposal to eliminate the capability payment;
- Recommends CAISO provide more clarity about the costs associated with the new reactive power exceptional dispatch function;
- Supports flexibility provided by CAISO to resources to which location they would control their reactive power but recommends CAISO provide the reactive power dispatch target to resources;
- Agrees that the proposed requirement should become effective in the next interconnection cluster, post FERC filing; and
- Appreciates CAISO's explanation (related to cost allocation) that "load is not the only driver of reactive power needs." PG&E believes the CAISO's methodology should be revised if the costs are significant in future.

**A. PG&E supports CAISO’s proposal to eliminate capability payment.**

PG&E strongly supports CAISO’s proposal to eliminate a capability payment as the cost of providing reactive power is already priced into the bilateral contracting process for capacity in California. As a result, the argument that reactive power is undervalued and should therefore receive a capability payment no longer applies. CAISO has also explained how comparing capability payments in other ISO/RTOs is not applicable in the CAISO context (i.e., replicating artifacts of these markets prior to when they were ISO/RTOs should not be viewed as good policy worth replicating).<sup>1</sup>

**B. PG&E seeks more detail and clarity about the recently introduced ‘Reactive Power Exceptional Dispatch’ function.**

PG&E supports the general concept of “making whole” resources so that the resources are financially indifferent to responding to provide reactive power support and are therefore willing to operate in this mode. However, CAISO should provide the final list of cost elements and detailed examples of how it would work in practice, for stakeholders to fully understand this new exceptional dispatch function.

In addition, PG&E requests that CAISO provide reactive power set points (not voltage set points) to resources in those conditions. This is crucially important when multiple resources are clustered in a close by proximity to each other. PG&E is concerned hunting issues could arise if CAISO chooses to use voltage set points.

**C. PG&E supports CAISO’s proposal to make the requirement effective in the next interconnection cluster (cluster 9), post FERC filing.**

PG&E supports selecting a cluster start date as opposed to a specific date for an effective date. A specific date could require the renegotiation of existing contracts, while an effective date tied to a cluster allows PG&E to accommodate this change in future negotiations and contracts.

**D. PG&E believes the CAISO’s methodology should be revised if the costs are significant in future.**

PG&E appreciates CAISO’s explanation (related to cost allocation) that “load is not the only driver of reactive power needs”. PG&E acknowledges that it is difficult to calculate generation resources contribution at any given time. However, if the level of reactive Power compensation costs is elevated significantly in future, the cost allocation methodology should be revised. PG&E recommends CAISO revisit cost allocation.

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<sup>1</sup> CAISO. Revised Straw Proposal – Reactive Power Requirements and Financial Compensation. October 8, 2015. [https://www.caiso.com/Documents/RevisedStrawProposal\\_ReactivePowerRequirements\\_FinancialCompensation.pdf](https://www.caiso.com/Documents/RevisedStrawProposal_ReactivePowerRequirements_FinancialCompensation.pdf)